

Federal Emergency Management Agency

**Federal Emergency Management Agency
Washington D.C. 20472
August 16, 1995**

ACCEPTANCE OF PRIVATE FLOOD INSURANCE POLICIES TO MEET STATUTORY REQUIREMENT AND THE ACCEPTANCE OF NFIP "WRITE YOUR OWN POLICIES"

To give the public the benefits of the marketing and servicing expertise of the private insurance industry, the Federal Insurance Administration (FIA) has, since 1983, been making flood insurance available through the National Flood Insurance Program (NFIP) "Write Your Own" Program (WYO) which enables the public to purchase the same NFIP coverage from private companies that have agreed to enter into arrangements with FIA.

The coverage, eligibility, and premiums are the same on WYO policies as in the case of policies that are issued directly by the FIA through its servicing agent. The FIA has guaranteed that, in the event that any WYO company is required by State regulatory authorities to cease writing insurance and is unable to pay flood insurance claims under any WYO policy, FIA will assume all obligations for the payment of covered claims under that policy. Thus, lenders and insureds should not hesitate to accept NFIP policies written either directly by FIA or through a WYO company.

In the event of a submission of a private flood insurance policy, i.e., one that is not issued by the NFIP through FIA or a WYO company, FIA believes that the following criteria should be met for a lending institution or a Federal agency to accept it as satisfying the insurance purchase requirement of the Flood Disaster Protection Act of 1973, as amended by the National Flood Insurance Reform Act of 1994:

- (a) The insurer should be licensed to do business in the jurisdiction where the property is located, by the Insurance Department of that jurisdiction, except as indicated in (b) below.
- (b) In the case of a non-residential commercial property insured pursuant to a policy of difference in conditions, multiple peril, all risk, or other blanket coverage, it should be sufficient if the insurer is recognized, or not disapproved, as a surplus lines insurer by the Insurance Department of the jurisdiction where the property is located.

Mandatory Purchase of Flood Insurance Guidelines

- (c) The flood insurance policy issued by the insurer should guarantee that the flood insurance coverage, considering both deductibles and exclusions or conditions offered by the insurer, is at least as broad as the coverage offered by the NFIP policy.
- (d) The flood insurance policy issued by the insurer should be as restrictive in its cancellation provisions as the NFIP which restricts cancellation of a policy to only a very few limited conditions.
- (e) The flood insurance policy issued by the insurer should contain a mortgage interest clause similar to that contained in the NFIP policy, which provides that coverage shall continue in force for the benefit of the mortgagee (or trustee) for 30 days after written notice of cancellation.
- (f) The flood insurance policy issued by the insurer should contain a provision providing the insured with at least 12 months after mailing of notice of disallowance or partial disallowance of the claim within which to file any suit against the insurer.

In the opinion of the FIA, an insurance policy that meets all of the above criteria meets the insurance purchase requirements of Section 102 of the 1973 Act.